

**Mills Township  
Ogemaw County, Michigan  
Financial Report  
With Supplemental Information  
June 30, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name MILLS TOWNSHIP	County OGEMAW
Fiscal Year End JUNE 30, 2006	Opinion Date DECEMBER 28, 2006	Date Audit Report Submitted to State JANUARY 10, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

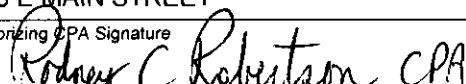
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NOT REQUIRED	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER CPAs, P.C.		Telephone Number 989-685-2411	
Street Address 103 E MAIN STREET		City ROSE CITY	State MI
Zip 48654			
Authorizing CPA Signature 		Printed Name RODNEY C. ROBERTSON	License Number 11010007829

Mills Township  
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# ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

## INDEPENDENT AUDITOR'S REPORT

Township Board  
Mills Township  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mills Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of June 30, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2006 on our consideration of Mills Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 24 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

*Robertson & Carpenter CPAs, P.C.*

Robertson & Carpenter CPAs, P.C.

Certified Public Accountants

December 28, 2006

## Management's Discussion and Analysis

As management of Mills Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2006.

### Financial Highlights

- The assets of Mills Township exceeded its liabilities at the close of the most recent fiscal year by \$1,412,267 (*net assets*). Unrestricted net assets for the governmental activities were \$119,087. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$538,978, an increase of \$38,160 in comparison with the prior year. Approximately 21% of the total amount, \$115,288, is available for spending at the township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$115,288 or 25% percent of total general fund expenditures.
- The Township's total debt decreased by \$10,000 (8%) during the current fiscal year, due to required annual principal payments.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare, community development and recreation and culture. The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Mills Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Fire Equipment Fund, Police Fund, Garbage Fund and Gypsy Moth Fund. Data from the one non-major governmental fund, the Road Fund, is presented in a separate column.

Mills Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Fire Fund, Fire Equipment Fund, Police Fund, Garbage Fund and Gypsy Moth Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-23 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 24 through 29 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,412,267 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets (\$869,490, or 62%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (\$423,690, or 30%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$119,087, or 8%) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current year, the Township is able to report positive balances in both categories of net assets, the government as a whole, as well as for its separate governmental activities.

#### Township's Net Assets

	Governmental Activities June 30, 2006	Governmental Activities June 30, 2005
Current and Other Assets	\$ 614,943	\$ 564,229
Noncurrent assets:		
Capital Assets, Net	984,990	1,006,940
Total Assets	1,599,933	1,571,169
Current Liabilities	72,166	58,809
Long-term Liabilities Outstanding	115,500	125,500
Total Liabilities	187,666	184,309
Net Assets:		
Invested in Capital Assets (net of debt)	869,490	881,440
Restricted	423,690	394,944
Unrestricted	119,087	110,476
Total Net Assets	\$ 1,412,267	\$ 1,386,860



The Township's net assets increased by \$25,407 during the current fiscal year as discussed below.

### Township's Changes in Net Assets

	<b>Governmental Activities June 30, 2006</b>	<b>Governmental Activities June 30, 2005</b>
<b>Revenue:</b>		
Program Revenue:		
Charges for services	\$263,344	\$257,691
Capital Grants	37,984	2,400
General Revenue:		
Property Taxes	440,968	355,117
State-Shared Revenues	296,855	296,803
Interest Earnings	12,303	9,852
Other	33,799	40,910
<b>Total Revenue</b>	<b>1,085,253</b>	<b>962,773</b>
<b>Expenses:</b>		
General Government	273,754	262,798
Public Safety	341,111	325,437
Public Works	314,210	308,743
Health and Welfare	4,362	10,742
Community Development	17,610	31,821
Recreation and Culture	102,921	123,742
Interest on Long-Term Debt	5,878	6,314
<b>Total Expenses</b>	<b>1,059,846</b>	<b>1,069,597</b>
<b>Increase (Decrease) in Net Assets</b>	<b>25,407</b>	<b>(106,824)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,386,860</b>	<b>1,493,684</b>
<b>Net Assets, End of Year</b>	<b>\$1,412,267</b>	<b>\$1386,860</b>

**Governmental activities.** Governmental activities increased the Township's net assets by \$25,407. Governmental revenues increased by \$122,480 over the preceding year. Property taxes increased by \$85,851, including a new tax millage of \$44,111 collected for Gypsy Moth Suppression. Expenses decreased by \$9,751.

### Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$538,978, an increase of \$38,160 in comparison with the prior year. Approximately 21% of this total amount (\$115,288) constitutes *unreserved fund balance* in the General Fund, which is available for spending at the Township's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in special revenue funds and are not available for current expenditure. The portion of unreserved fund balance that has been designated by the Township Board for capital asset acquisition is \$10,583.

The General Fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund were \$115,288. The fund balance in the General Fund increased by \$6,042 for the fiscal year ended June 30, 2006. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 25% of total general fund expenditures.

The Township maintains separate funds for the police and fire protection activities, funded primarily by tax levies. The fund balances at June 30, 2006 in the Police and Fire Funds were \$0 and \$123,486, respectively. The fund balance in the Fire Fund decreased by \$1,722 for the year ended June 30, 2006.

The Township also maintains a Fire Equipment Fund. The tax levy collected is restricted for the purchase of equipment for the Township fire department. The fund balance in the Fire Equipment Fund at June 30, 2006 was \$178,915, an increase of \$30,799 for the year ended June 30, 2006.

The Township levies a special assessment for garbage collection. The fund balance in the Garbage Fund at June 30, 2006 was \$90,625, a decrease of \$13,164 for the year ended June 30, 2006.

The Township also maintains a Gypsy Moth Fund. The tax levy collected is restricted for the cost of Gypsy Moth Suppression expenditures.

### **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The township budgets were not amended during the year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$984,990 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Additions for the fiscal year totaled \$79,061. Major additions included election equipment of \$27,984, land purchased for \$15,093 and fire protection equipment of \$11,190.

#### **Township's Capital Assets (net of depreciation)**

	Governmental Activities	Governmental Activities
Infrastructure	\$29,004	\$ 30,565
Land	247,228	232,135
Land improvements	63,806	62,967
Buildings and improvements	155,009	160,398
Furniture and Equipment	489,943	520,875
<b>Total</b>	<b><u>\$984,990</u></b>	<b><u>\$1,006,940</u></b>

Additional information on the Township's capital assets can be found in note 5 on page 21 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had an installment purchase agreement outstanding of \$115,500. The installment purchase agreement was used for a portion of the cost of a fire truck purchased for use by the township fire department.

### **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2005-2006 the Township received \$296,855 in state shared revenue, representing 62% of the revenues in the General Fund. This represented an increase of \$52 compared to the prior year. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised for any significant changes in projected revenues or expenditures.

### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mills Township  
Supervisor's Office  
2441 Greenwood Road  
Prescott, Michigan 48756

Mills Township  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash (Note 3)	\$ 562,550
Receivables	9,525
Due from governmental units (Note 4)	42,868
Capital assets-net (Note 5)	<u>984,990</u>
Total assets	<u>1,599,933</u>
<b>Liabilities</b>	
Accounts payable	67,751
Accrued and other liabilities	4,415
Noncurrent liabilities (Note 7):	
Due within one year	10,000
Due in more than one year	<u>105,500</u>
Total liabilities	<u>187,666</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	869,490
Restricted:	
Fire	123,486
Fire equipment	178,915
Garbage service	90,625
Private roads	9,565
Gypsy moth	21,099
Unrestricted	<u>119,087</u>
Total net assets	<u>\$ 1,412,267</u>

See accompanying notes to financial statements.

Mills Township  
Statement of Activities  
Year ended June 30, 2006

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
Primary government:				
Governmental Activities:				
General government	\$ 273,754	\$ 25,836	\$ -	\$ 37,984
Public safety	341,111	1,125	-	-
Public works	314,210	236,383	-	-
Health and welfare	4,362	-	-	-
Community development	17,610	-	-	-
Recreation and culture	102,921	-	-	-
Interest on long term debt	5,878	-	-	-
Total governmental activities	1,059,846	263,344	-	37,984

General Revenues:

Property taxes

State grants

Interest and investment earnings

Other

Total general revenues

**Change in Net Assets**

**Net assets** - beginning of year

**Net assets** - end of year

See accompanying notes to financial statements.

Net (Expense) Revenue  
and Changes  
in Net Assets

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Changes in  
Net Assets  
Governmental  
Activities

---

\$	(209,934)
	(339,986)
	(77,827)
	(4,362)
	(17,610)
	(102,921)
	<u>(5,878)</u>
	(758,518)
	440,968
	296,855
	12,303
	<u>33,799</u>
	<u>783,925</u>
	25,407
	<u>1,386,860</u>
\$	<u><u>1,412,267</u></u>

Mills Township  
Governmental Funds  
Balance Sheet  
June 30, 2006

	Major Funds		
	General Fund	Fire Fund	Fire Equipment Fund
<b>Assets</b>			
Cash and investments	\$ 114,246	\$ 124,529	\$ 178,762
Accounts receivable	6,204	-	-
Taxes receivable	139	429	153
Due from other funds	137	-	-
Due from other governmental units	42,868	-	-
<b>Total assets</b>	<b>\$ 163,594</b>	<b>\$ 124,958</b>	<b>\$ 178,915</b>
<b>Liabilities</b>			
Accounts payable	\$ 41,631	\$ 1,472	\$ -
Due to other funds	471	-	-
Deferred revenue	6,204	-	-
<b>Total liabilities</b>	<b>48,306</b>	<b>1,472</b>	<b>-</b>
<b>Fund balances</b>			
Unreserved:			
General Fund	104,705	-	-
Special Revenue Funds	-	123,486	178,915
Designated (Note 13)	10,583	-	-
<b>Total fund balances</b>	<b>115,288</b>	<b>123,486</b>	<b>178,915</b>
<b>Total liabilities and fund balances</b>	<b>\$ 163,594</b>	<b>\$ 124,958</b>	<b>\$ 178,915</b>

**Fund Balances - Total Governmental Funds**

Elimination of due to and due from governmental funds

    Due to

    Due from

Amounts reported for governmental activities in the statement of net assets  
are different because:

    Capital assets used in governmental activities are not financial resources, and are not  
    reported in the funds.

        Cost of capital assets

        Accumulated depreciation

    Special assessment receivables are expected to be collected over several years and are not  
    available to pay for current year expenditures

    Accounts receivable are expected to be collected over several years and are not available  
    to pay for current year expenditures

    Long term liabilities are not due and payable in the current period and are not reported in the  
    fund

        Installment purchase agreement

        Compensated absences

    Accrued interest is not included as a liability in governmental funds

**Net Assets of Governmental Activities**

See accompanying notes to financial statements.

Major Funds			Nonmajor Fund	Total Governmental Funds
Police Fund	Garbage Fund	Gypsy Moth Fund	Road Fund	
\$ 2,190	\$ 90,625	\$ 42,633	\$ 9,565	\$ 562,550
-	-	-	2,010	8,214
537	-	53	-	1,311
471	-	-	-	608
-	-	-	-	42,868
<u>\$ 3,198</u>	<u>\$ 90,625</u>	<u>\$ 42,686</u>	<u>\$ 11,575</u>	<u>\$ 615,551</u>
\$ 3,198	\$ -	\$ 21,450	\$ -	67,751
-	-	137	-	608
-	-	-	2,010	8,214
<u>3,198</u>	<u>-</u>	<u>21,587</u>	<u>2,010</u>	<u>76,573</u>
-	-	-	-	104,705
-	90,625	21,099	9,565	423,690
-	-	-	-	10,583
<u>-</u>	<u>90,625</u>	<u>21,099</u>	<u>9,565</u>	<u>538,978</u>
<u>\$ 3,198</u>	<u>\$ 90,625</u>	<u>\$ 42,686</u>	<u>\$ 11,575</u>	<u>\$ 615,551</u>
				538,978
				608
				(608)
				1,951,548
				(966,558)
				2,010
				6,204
				(115,500)
				(3,453)
				(962)
				<u>\$ 1,412,267</u>



Mills Township  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2006

	Major Fund		
	General Fund	Fire Fund	Fire Equipment Fund
<b>Revenues</b>			
Taxes and penalties	\$ 75,084	\$ 132,364	\$ 42,976
Licenses and permits	8,813	-	-
State grants	296,855	-	-
Charges for services	12,190	1,125	-
Fines and forfeits	-	-	-
Special assessments	-	-	-
Interest and rentals	23,054	3,301	3,784
Other	62,891	79	-
Total revenues	<u>478,887</u>	<u>136,869</u>	<u>46,760</u>
<b>Expenditures</b>			
Current:			
General government	244,031	-	-
Public safety	-	127,401	-
Public works	39,256	-	-
Health and welfare	4,362	-	-
Community development	17,610	-	-
Recreation and culture	89,712	-	-
Capital outlay	67,871	11,190	-
Debt service:			
Principal retirement	-	-	10,000
Interest and fiscal charges	-	-	5,961
Total expenditures	<u>462,842</u>	<u>138,591</u>	<u>15,961</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	16,045	(1,722)	30,799
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers (out)	(10,003)	-	-
Total other financing uses	<u>(10,003)</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	6,042	(1,722)	30,799
<b>Fund balances - Beginning of year</b>	<u>109,246</u>	<u>125,208</u>	<u>148,116</u>
<b>Fund balances - End of year</b>	<u>\$ 115,288</u>	<u>\$ 123,486</u>	<u>\$ 178,915</u>

See accompanying notes to financial statements.

Major Fund			Nonmajor Fund	Total Governmental Funds
Police Fund	Garbage Fund	Gypsy Moth Fund	Road Fund	
\$ 146,433	\$ -	\$ 44,111	\$ -	\$ 440,968
-	-	-	-	8,813
-	-	-	-	296,855
-	-	-	-	13,315
-	-	-	-	-
-	218,058	-	11,948	230,006
517	1,837	330	150	32,973
-	-	-	-	62,970
<u>146,950</u>	<u>219,895</u>	<u>44,441</u>	<u>12,098</u>	<u>1,085,900</u>
-	-	-	-	244,031
156,953	-	-	-	284,354
-	233,059	23,342	16,992	312,649
-	-	-	-	4,362
-	-	-	-	17,610
-	-	-	-	89,712
-	-	-	-	79,061
-	-	-	-	10,000
-	-	-	-	5,961
<u>156,953</u>	<u>233,059</u>	<u>23,342</u>	<u>16,992</u>	<u>1,047,740</u>
(10,003)	(13,164)	21,099	(4,894)	38,160
10,003	-	-	-	10,003
-	-	-	-	(10,003)
<u>10,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(13,164)	21,099	(4,894)	38,160
-	103,789	-	14,459	500,818
<u>\$ 0</u>	<u>\$ 90,625</u>	<u>\$ 21,099</u>	<u>\$ 9,565</u>	<u>\$ 538,978</u>

Mills Township  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
June 30, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>38,160</b>
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	\$	(101,011)	
Capital Outlay		79,061	(21,950)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(1,362)
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Revenues from the sale of Cemetery lots are recorded in the statement of activities when the cemetery lot is sold; they are not reported in the funds until collected or collectible within 60 days of year end	715
--	-----

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid	83
---	----

Repayments of installment purchase agreement principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	10,000
--	--------

Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(239)
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>25,407</b>
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See accompanying notes to financial statements.

Mills Township  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2006

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	<u>\$         6,465</u>
Total assets	<u><u>\$         6,465</u></u>
<b>Liabilities</b>	
Accounts payable	\$         1,309
Due to taxpayers	887
Due to other governments	<u>4,269</u>
Total liabilities	<u><u>\$         6,465</u></u>

See accompanying notes to financial statements.

Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Mills Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statements of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for fire protection purposes.

The Fire Equipment Fund is used to record property tax revenue, interest earnings and other revenue restricted for the purchase of fire equipment protection purposes.

The Police Fund is used to record property tax revenue, interest earnings and other revenue restricted for police protection purposes.

The Garbage Fund is used to record special assessment revenue and interest earnings restricted for garbage collection purposes.

The Gypsy Moth Fund is used to record property tax revenue and interest earnings restricted for gypsy moth suppression purposes.

Additionally, the Township reports the following funds:

Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds include the Tax Collection Fund used to account for property taxes collected and disbursed to other taxing authorities by the Township as required by law and the Trust and Agency Fund used to account for payroll liabilities withheld and remitted.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayer of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$88,374,113. The 2005 tax levy was .8298 mills for general operating purposes, .4873 mills for the Fire Equipment Fund, 1.5000 mills for the Fire Fund, .5000 mills for the Gypsy Moth Fund and 1.6596 mills for the Police Fund. The millage levied raised tax revenue of \$73,026 in the General Fund, \$132,205 in the Fire Fund, \$42,924 in the Fire Equipment Fund, \$44,058 and \$146,258 in the Police Fund. These amounts are recorded as tax revenue.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

Compensated Absences - The Township allows full-time employees to accumulate earned but unused vacation and sick pay benefits. The government-wide financial statements accrue all vacation pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 - Stewardship, Compliance and Accountability**

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and activity center. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. During the year, the budgets were not amended.

The Township has accumulated fund balance deficits in the individual Special Assessment districts for road maintenance #1, #3, #4, #9, and #13 totaling \$3,428. The deficits are a result of costs paid during the year that will be reimbursed through special assessments in future years.



Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General - Public works	\$ 24,000	\$ 39,256	\$ 15,256
General - Health and welfare	2,500	4,362	1,862
General - Community development	-	17,610	17,610
General - Capital outlay	50,000	67,871	17,871
Fire - Public safety	115,000	127,401	12,401
Garbage-Public works	139,900	156,953	17,053
Gypsy Moth-Public Works	-	23,342	23,342

**Note 3 - Deposits and Investments**

At June 30, 2006, the Township did not have any investments. The Township's deposits were reported in the basic financial statements (in addition to a General Fund petty cash fund of \$50) in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 562,550	\$ 6,465	\$ 569,015
Investments	-	-	-
Total	<u>\$ 562,550</u>	<u>\$ 6,465</u>	<u>\$ 569,015</u>

**Investment and deposit risk:**

Interest rate risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial credit risk. At June 30, 2006, \$194,632 of the Township's bank balances of \$471,801 was exposed to custodial credit risk because it was uninsured.

Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 3 - Deposits and Investments (Continued)**

Michigan Compiled Laws, Section 129.91 authorizes the Township to deposit and invest in accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Mills Township Board has designated three financial institutions for deposit of Mills Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposits, but not the remainder of State statutory authority as listed above.

Mills Township's deposits and investments are in accordance with statutory authority.

**Note 4 - Receivables**

Receivables as of year-end for the Township's individual major funds and the nonmajor and fiduciary funds in aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Major and Non- Major Funds	Total
Accounts receivable	\$ 6,204	\$ -	\$ 6,204
Special assessments	-	2,010	2,010
Less: Allowance for uncollectibles	-	-	-
Total receivables	<u>\$ 6,204</u>	<u>\$ 2,010</u>	<u>\$ 8,214</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Private road special assessments	\$ 2,010	\$ -
Cemetery lot sales	6,204	-
Totals	<u>\$ 8,214</u>	<u>\$ -</u>
Total deferred revenue		<u>\$ 8,214</u>

Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 5 - Capital Assets**

Capital asset activity of the Township's governmental activities were as follows:

**Governmental Activities**

<u>Assets</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Capital assets not being depreciated - Land	\$ 232,135	\$ 15,093	\$ -	\$ 247,228
Capital assets being depreciated:				
Infrastructure	31,215	-	-	31,215
Land improvements	75,828	4,500	-	80,328
Buildings	234,985	-	-	234,985
Furniture and equipment	1,298,324	59,468	-	1,357,792
Subtotal	1,872,487	79,061	-	1,951,548
<u>Accumulated Depreciation</u>				
Infrastructure	650	1,561	-	2,211
Land improvements	12,861	3,661	-	16,522
Buildings	74,587	5,389	-	79,976
Furniture and equipment	777,449	90,400	-	867,849
Subtotal	865,547	101,011	-	966,558
Net capital assets being depreciated	1,006,940	(21,950)	-	984,990
Net capital assets	\$ 1,006,940	\$ (21,950)	\$ 0	\$ 984,990

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 29,484
Public safety:	
Fire Department	50,170
Police Department	6,587
Public works	1,561
Recreation	13,209
Total governmental activities	\$ 101,011

Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 6 - Receivables, payables and transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 137	General Fund	\$	471
Police Fund	471	Gypsy Moth Fund		137
Total	<u>\$ 608</u>	Total	<u>\$</u>	<u>608</u>
<u>Transfer In</u>		<u>Transfer Out</u>		
Police Fund	\$ 10,003	General Fund	\$	10,003
Total Transfer In	<u>\$ 10,003</u>	Total Transfer Out	<u>\$</u>	<u>10,003</u>

**Note 7 - Long-term Debt**

The following is a summary of the installment purchase agreements outstanding as of June 30, 2006:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment Purchase Agreement- Assigned to Department of Agriculture-U.S.A.	2015	4.75%	\$ 125,500	\$ (10,000)	\$ 115,500	\$ 10,000
Total long-term debt			<u>\$ 125,500</u>	<u>\$ (10,000)</u>	<u>\$ 115,500</u>	<u>\$ 10,000</u>

**Installment Purchase Agreement**

Installment purchase agreement assigned to US Department of Agriculture in the amount of \$166, 500 to finance purchase of fire truck from Kovatch Mobile Equipment Corp. Annual payment due April 27 with interest at 4.75%.

Annual debt service requirements to maturity (excluding amortization of discounts and deferred charges) for the above bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 10,000	\$ 5,486	\$ 15,486
2008	12,000	5,011	17,011
2009	12,000	4,441	16,441
2010	13,000	3,871	16,871
2011	13,000	3,254	16,254
2012	13,000	2,636	15,636
2013	14,000	2,019	16,019
2014	14,000	1,354	15,354
2015	14,500	689	15,189
Total	<u>\$ 115,500</u>	<u>\$ 28,761</u>	<u>\$ 144,261</u>

Mills Township  
Notes to Financial Statements  
June 30, 2006

**Note 8 - Risk Management**

Mills Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 9 - Other Post employment Benefits**

The Township provides post-retirement health benefits to all full time employees eligible for health care benefits prior to December 12, 2003. During the fiscal year ended June 30, 2006, one retiree was eligible for post employment health benefits. The Township pays the cost of health insurance for retirees, with no contribution recognized by the participant. Expenditures for post employment health care benefits are recognized as the insurance premiums come due. During the year, the post-retirement health insurance costs were \$962. The Township's final payment for coverage was made on August 10, 2005.

**Note 10 - Road Fund**

The Township contracts for maintenance of thirteen private roads with the Ogemaw County Road Commission. The costs incurred are reimbursed through special assessments.

The Township is periodically required to pay for grading and graveling costs to upgrade the private roads before renewing their maintenance contract with the Ogemaw County Road Commission. The assessments against benefited properties for upgrade costs are payable over a five-year period.

**Note 11 - Commitments**

**Sanitation Service** - The Township levied a special assessment of \$66.42 per dwelling on the 2005 tax roll for residential trash collection. The Township has contracted with Waste Management, Inc. to provide the weekly trash collection service. The Township is billed monthly by the contractor for this service.

**Police Protection** - The Township has contracted with the Ogemaw County Sheriff Department for two full-time police officers to provide law enforcement for the Township, as well as additional part-time summer help. The cost per quarter for the full-time officers for calendar year 2006 and 2005 was \$36,700 and \$33,913, respectively.

**Note 12 - Designated Fund Balance**

The Township Board has designated \$10,583 in the General Fund for capital asset acquisitions in future periods.

## Required Supplemental Information

Mills Township  
 Budgetary Comparison Schedule - General Fund  
 Year ended June 30, 2006

	Budgeted Amounts			Variance with
	Original	Amended		Amended
	Budget	Budget	Actual	Budget
<b>Fund Balance - Beginning of year</b>	\$ 136,841	\$ 136,841	\$ 109,246	\$ (27,595)
<b>Resources (Inflows)</b>				
Taxes and fees	71,000	71,000	75,084	4,084
Licenses and permits	9,000	9,000	8,813	(187)
State grants	320,000	320,000	296,855	(23,145)
Charges for services	12,000	12,000	12,190	190
Fines and forfeits	1,150	1,150	-	(1,150)
Interest and rentals	14,500	14,500	23,054	8,554
Other	25,000	25,000	62,891	37,891
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>452,650</u>	<u>452,650</u>	<u>478,887</u>	<u>26,237</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	249,200	249,200	244,031	5,169
Public works	24,000	24,000	39,256	(15,256)
Health and welfare	2,500	2,500	4,362	(1,862)
Community development	-	-	17,610	(17,610)
Recreation and culture	92,500	92,500	89,712	2,788
Capital outlay	50,000	50,000	67,871	(17,871)
Operating transfers out	18,700	18,700	10,003	8,697
Total charges to appropriations	<u>436,900</u>	<u>436,900</u>	<u>472,845</u>	<u>(35,945)</u>
<b>Fund Balance - end of year</b>	<u>\$ 152,591</u>	<u>\$ 152,591</u>	<u>\$ 115,288</u>	<u>\$ (37,303)</u>

Mills Township  
 Budgetary Comparison Schedule - Fire Fund  
 Year ended June 30, 2006

	Budgeted Amounts			Variance with
	Original	Amended		Amended
	Budget	Budget	Actual	Budget
<b>Fund Balance - Beginning of year</b>	\$ 121,926	\$ 121,926	\$ 125,208	\$ 3,282
<b>Resources (Inflows)</b>				
Taxes and fees	104,000	104,000	132,364	28,364
State grants	-	-	-	-
Charges for services	1,200	1,200	1,125	(75)
Fines and forfeits	-	-	-	-
Interest and rentals	2,000	2,000	3,301	1,301
Other	1,500	1,500	79	(1,421)
Amounts available for appropriation	<u>108,700</u>	<u>108,700</u>	<u>136,869</u>	<u>28,169</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	115,000	115,000	127,401	(12,401)
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	25,000	25,000	11,190	13,810
Debt service	-	-	-	-
Total charges to appropriations	<u>140,000</u>	<u>140,000</u>	<u>138,591</u>	<u>1,409</u>
<b>Fund Balance - end of year</b>	<u>\$ 90,626</u>	<u>\$ 90,626</u>	<u>\$ 123,486</u>	<u>\$ 32,860</u>



Mills Township  
 Budgetary Comparison Schedule - Fire Equipment Fund  
 Year ended June 30, 2006

	Budgeted Amounts			Variance with
	Original	Amended		Amended
	Budget	Budget	Actual	Budget
<b>Fund Balance - Beginning of year</b>	\$ 124,414	\$ 124,414	\$ 148,116	\$ 23,702
<b>Resources (Inflows)</b>				
Taxes and fees	41,000	41,000	42,976	1,976
Interest and rentals	2,000	2,000	3,784	1,784
Other	-	-	-	-
Amounts available for appropriation	43,000	43,000	46,760	3,760
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	25,000	25,000	-	25,000
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	16,000	16,000	15,961	39
Total charges to appropriations	41,000	41,000	15,961	25,039
<b>Fund Balance - end of year</b>	\$ 126,414	\$ 126,414	\$ 178,915	\$ 52,501

Mills Township  
 Budgetary Comparison Schedule - Police Fund  
 Year ended June 30, 2006

	Budgeted Amounts			Variance with
	Original	Amended		Amended
	Budget	Budget	Actual	Budget
<b>Fund Balance - Beginning of year</b>	\$ (4,417)	\$ (4,417)	\$ -	\$ 4,417
<b>Resources (Inflows)</b>				
Taxes and fees	139,600	139,600	146,433	6,833
Interest and rentals	300	300	517	217
Other	-	-	-	-
Transfers from other funds	-	-	10,003	10,003
Amounts available for appropriation	<u>139,900</u>	<u>139,900</u>	<u>156,953</u>	<u>17,053</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	139,900	139,900	156,953	(17,053)
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total charges to appropriations	<u>139,900</u>	<u>139,900</u>	<u>156,953</u>	<u>(17,053)</u>
<b>Fund Balance - end of year</b>	\$ <u>(4,417)</u>	\$ <u>(4,417)</u>	\$ <u>0</u>	\$ <u>4,417</u>

Mills Township  
Budgetary Comparison Schedule - Garbage Fund  
Year ended June 30, 2006

	Budgeted Amounts			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 104,093	\$ 104,093	\$ 103,789	\$ (304)
<b>Resources (Inflows)</b>				
Taxes and fees	-	-	-	-
Special assessments	212,997	212,997	218,058	5,061
Interest and rentals	1,000	1,000	1,837	837
Other	-	-	-	-
Amounts available for appropriation	<u>213,997</u>	<u>213,997</u>	<u>219,895</u>	<u>5,898</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	225,000	225,000	233,059	(8,059)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Contributions to other funds	-	-	-	-
Total charges to appropriations	<u>225,000</u>	<u>225,000</u>	<u>233,059</u>	<u>(8,059)</u>
<b>Fund Balance - end of year</b>	<u>\$ 93,090</u>	<u>\$ 93,090</u>	<u>\$ 90,625</u>	<u>\$ (2,465)</u>

Mills Township  
 Budgetary Comparison Schedule - Gypsy Moth Fund  
 Year ended June 30, 2006

	Budgeted Amounts			Variance with
	Original	Amended		Amended
	Budget	Budget	Actual	Budget
<b>Fund Balance - Beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Taxes and fees	-	-	44,111	44,111
Interest and rentals	-	-	330	330
Other	-	-	-	-
Amounts available for appropriation	-	-	44,441	44,441
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	23,342	(23,342)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total charges to appropriations	-	-	23,342	(23,342)
<b>Fund Balance - end of year</b>	\$ 0	\$ 0	\$ (21,099)	\$ 21,099

## APPENDICES



## ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board  
Mills Township  
Mills County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of and for the year ended June 30, 2006, which collectively comprise Mills Township's basic financial statements and have issued our report thereon dated December 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mills Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mills Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Robertson & Carpenter CPAs, P.C.*

Rose City, Michigan

December 28, 2006